

11. The above deficiency is a measure of the extent to which the State has failed to meet its share of benefits paid in the past. The subsidies actually paid in any year have rarely, if ever, been sufficient to meet the balance of retiring-allowances paid after allowing for the portion provided by member's contributions, and the State, by short paying, has in effect borrowed from existing members a substantial proportion of their accumulated contributions.

If no steps are taken to meet this deficiency, it will increase with the passage of time, for it represents funds which should be in hand accumulating at interest. The minimum annual payment which will prevent future increases, therefore, is interest on this capital sum at the valuation rate of interest—*i.e.*, £103,000 per annum. Payment of smaller annual sums will result in the deficiency increasing, and conversely payment of greater annual sums will result in the deficiency decreasing and ultimately disappearing. A uniform annual payment of £149,000, for example, would redeem the deficiency completely in thirty years. Similarly, uniform annual payments of £130,000 and £120,000 would achieve the same result in forty years and fifty years respectively.

12. Had the State paid the full subsidies required in the past, the deficiency discussed in the preceding paragraph would not now exist and payments from the State in respect of it would not be required. The normal subsidies, however, would still be required—*i.e.*, the State has to meet each year widows' and children's annuities at £13 per annum and such part of the aggregate retiring-allowances paid as is not provided by members' contributions.

Estimates of the retiring-allowances and widows' and children's annuities which will be paid in each of the five years following the valuation are given in Table V of the Appendix. For the year ended 31st January, 1940, for example, it is estimated that retiring-allowances will amount to £323,000, £108,000 being due to non-contributory service and £215,000 to contributory service. After allowing for expenses of administration and subsidiary benefits, the accumulated contributions of the retired members will provide £96,000 of retiring-allowances due to contributory service. The remainder of the retiring-allowances due to contributory service—*viz.*, £119,000—falls on the State, as do also retiring-allowances due to non-contributory service amounting to £108,000. In the same way, provision has been made by members' contributions for widows' and children's annuities at £18 and £13 per annum respectively, estimated at £7,000 for the year, and the State has to provide the balance at £13 per annum, estimated at £5,000.

The annual subsidies required under these headings range from £232,000 to £253,000 for the five years, and average £242,000 per annum. The Fund should receive these subsidies in the middle of the year to which they apply—*i.e.*, on 31st July. The Act, however, provides for payment of the subsidy in the month of January, and consequently the above amount falls to be increased by interest to, say, £246,000.

13. From paragraphs 11 and 12 the minimum annual subsidy required from the State in January of each of the years 1940 to 1944 inclusive is as follows :—

	£
On account of subsidies short paid in the past	103,000
On account of retiring-allowances and widows' and children's annuities which will be payable during the five years 1st February, 1939, to 31st January, 1944	246,000
Total annual subsidy required	<u>£349,000</u>

Any subsidy or part thereof paid after its due date should be increased at interest at 4 per cent. per annum up to the actual date of payment.

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